Master's Degree programme
Amministrazione Finanza e Controllo
Business Administration
Second Cycle (D.M. 270/2004)

Political Influence in Standard Setting

Supervisor
Ch. Prof. Chiara Saccon

Assistant supervisor
Ch. Prof. Valerio Simonato

Graduand
Tommaso Carollo
865092

Academic Year
2017 / 2018
Index

Introduction

1. The Regulators - History and organisation
   1.1. Introduction
   1.2. The Financial Accounting Standard Board
      1.2.1. The FASB Due Process
   1.3. The International Accounting Standard Board
      1.3.1. The IASB Due Process
   1.4. The Australian Accounting Standard Board
      1.4.1. The AASB Due Process
   1.5. Concluding Remarks

2. Analysis of the Lobbying Activity
   2.1. Introduction
   2.2. Definition of lobbying
   2.3. Who are the lobbyists?
   2.4. The tools and the methods of the lobbying activity
   2.5. The Reasons of the Lobbyists
   2.6. The Timing of Lobbying
   2.7. Examples of lobbying
      2.7.1. Introduction
      2.7.2. FASB
         2.7.2.1. Investment Tax Credit
         2.7.2.2. Post-employment Benefits
         2.7.2.3. Employee Stock Options (ESO)
         2.7.2.4. Banks’ Accounting for Losses under Fair Value Accounting
      2.7.3. IASC/IASB
         2.7.3.1. Financial Instruments
         2.7.3.2. Reclassification of Investments in Securities
Introduction

The title of the thesis is “Political Influence in the Standard Setting Process” and its aim is to analyse and comprehend the complex mechanisms of the political lobbying.

The thesis tries to understand if it is necessary to have the political influences and what is the future of the relationship between the regulators and the regulatees, or more generally the stakeholders.

For doing so, this dissertation is structured with three chapters which design a coherent logical path that will lead to the explanation of the lobbying and the effects on the accounting standards.

The first chapter is an introductory excursus on the three major accounting standards regulators: The FASB, the IASB and the AASB.

It will provide a historical basis and also some information and concepts about how the regulators are structured nowadays. Moreover it will help to understand the other chapters.

Then the second section will regard the lobbying and the lobbyists.

The aim of this chapter is to understand what are the lobbying and the political influences. To do so, it will be useful to analyse the lobbyists and the reasons behind their decision exert pressure on the regulators.

Moreover, some methods used by the lobbyists to influence the regulators will be explained, as well as their behaviour about when and how to intervene in the regulatory process.

Also, there will be an explanation of the lobbyists’ evaluations before the influencing attempts, through the provision of a formula, given by Georgiou.

In this chapter some examples of lobbying will be also provided, in order to combine theoretical concepts with practical events.

The last section has a different aim. While the second chapter looked at the lobbying activity from the lobbyist point of view, the third will try to do it from the regulators perspective.
So, if the second concerns the aggressive strategy to influence and get an individual benefit for the lobbyists, this chapter will regard the defensive mechanisms of the regulators that arise from characteristics that a regulator may have.
1. The Regulators - History and organisation

1.1 Introduction

The following chapter will be an introduction of the three biggest standard setters and their characteristics. First of all, it is useful to have a historical overview of them, what are their origins and why they were established. Then a deeper analysis is provided regarding how they are organised, with a focus on their governance and their funding policies. The different background of the three will be useful to understand how and why the pressure and the lobbying activity can be more or less effective. Thus the chapter one is the historical baseline on how the most important accounting regulation boards were created and how they act; the aim of this chapter is to build a base of notions about the IASB, FASB and the AASB in order to facilitate the critical evaluation of the other chapters.

The first part will be about the creation of the FASB after the Wheat Study while the second part will regard the development of the IASB.

In both of the part there will be a historical part with a deep overview of their origin, a section with the description of the governance and the funding policies and, in conclusion, the statements of their goals and objectives.

At the very end, there will be a small examination of the Australian Accounting Standard Board, portrayed with the same structure of the IASB and FASB. The AASB history and, above all, its current situation and governance are very interesting and will be part of the third chapter’s analysis.

The accounting was born to provide information about the performance of the business and the company. There are internal users like the managers and the directors, who can use such information to understand whether the action undertaken have been adequate, and external users, like the tax authority, the investor and the customer that need accounting to assess the condition of the business and, thereby, take decisions. (Warren, Reeve, Duchac, 2014).
The problem of the accounting is assembling and organising a system of concepts, standards, principles and/or rules that can combine the need of informing the investors with the need of the managers to evaluate the performance (Scott, 2015).

The core of this thesis is the financial accounting, that is the one that provides the information to the external users, and not the managerial one, which goal is to provide information to the internal users and for internal purposes (Warren, Reeve, Duchac, 2014).

Nowadays the necessity is to facilitate the flow of money and capitals all over the world. Thus, in a globalised environment, having access to a “common language” that helps remove all the barriers and the difficulties, is crucial (Bakker 2017).

In addition to the comparability, the accounting system needs to provide safety and protection for the investors.

To ensure the comparability and the safety of the accounting, some standards are necessary.

The two biggest accounting regulators, that have the duty of issuing the standards, are the IASB, that issues the international standards, and the FASB, which establishes the US GAAP. As said, a small paragraph will also be dedicated to the AASB.

1.2 The Financial Accounting Standard Board

The FASB is considered to be the first full-time and independent accounting standard body.

The history of the Financial Accounting Standards Board (FASB) began in 1972 after the so called “Wheat Study on Establishment of Accounting Principles” constituted to improve the American Institute of Certified Public Accountants (AICPA) function to provide effective standards.
The urge of issuing the “Wheat Study” came from the SEC, the auditing companies and the other corporations that wanted to obtain and use rules or standards that can solve the various problems of those times, like business combinations’ regulation and auditing competition that was eroding auditing quality.

Before the 1972, the US Generally Accepted Accounting Principles (US GAAP) where issued by the American Principles Board (APB), a part-time technical committee within the AICPA. During the period from 1967 to 1970, the decisions and the opinions of the APB have been highly criticised by the professionals for being late and not effective, so that the American Accounting Association (AAA), an association of academics, created a special committee to study and evaluate the creation of a full time new body with the task of formulating the accounting principles.

In the same period, the AICPA and the APB received letters of concern from the senior partners of accounting firms like Arthur Young, Touche Ross, Arthur Andersen and PWC. They complained about APB having a poor accounting philosophy and their inability to solve accounting problems quickly, due, among other things, to their flawed and complex procedures, full of arbitrary and absurd rules with apparently no connection to what the investors need; thus they strongly advised AICPA to restructure it in a full time organism. Furthermore they agreed with the AAA on the need of having a re-examination regarding how to issue the standards and, especially, who will issue those rules.

Another big event that happened was the decision of the federal Court of Appeals for the Second Circuit. The court determined that the auditor’s conclusions on financial statements complying with the GAAP does not necessarily mean that it is trustable and presented fairly. With this decision the court stated that the GAAP issued by APB were not acceptable anymore for assessing whether a financial statement is prepared correctly and fairly or not. Hence, the APB’s GAAP’s respect and reputation dropped.
So, the SEC Commissioner James Needham started to put pressure on the AICPA, in particular over the President Marshall Armstrong, in order to solve the APB issue. Being aware of the great troubles affecting the AICPA, Armstrong quickly convoked a meeting between public accountants that were also partners in some accounting firms, with a nine points agenda and the goal of reuniting the accounting world for reassessing how the accounting regulation should be done and how the principles should be issued.

The outcome of more that 10 hours of debate was the request to establish two studies: one study reviewing the operations of establishing accounting principles of the APB while the second one looking for a way of redefining the scope and the objective of the financial statements.

The first study was called the Wheat Study from its chairman Francis Wheat, a partner in the law firm Gibson, Dunn & Crutcher and a former SEC Commissioner, and it is considered the one that started the process of establishing the FASB (Zeff, 2015, (1)).

The second one, instead, was called the Trueblood Study, from its chairman (like the Wheat Study), and it was very useful since it stated the importance of decision usefulness and how to reach it (Zeff, 2015, (2))

The purpose of the Study was to identify new practices and methods to enhance the quality of the standard setting process. The AICPA and APB procedures and organisation were critically analysed and questioned, in order to improve the outcome of the the boards. Thus, several options and changes were identified and evaluated like transforming the part time board in a full time one or using different approaches like a court-like appeal system in the standard establishment.

Within the scope of the Study, there was also the relationship between the board and other entities like the SEC, the accounting firms and the government.

The activity of the Wheat Study was primarily based on public hearings and private meetings, so that the members can collect all the views and the information from different stakeholders and bodies.
The study committee was composed by Wheat and other six members; three of them were senior partners in Price Waterhouse & Co, Alexander Grant & Co and J.K. Lasser & Co, three of the major accounting firms. The industrial world was represented by the General Motors finance vice-president, graduated in accounting at the university of Michigan. GM had a high reputation during those years since its financial statement was trustable and well-prepared, being a sort of benchmark for the others company. Hence, it was deemed to be included in the committee. Then, the financial world and, more specifically, the banking community had their representative with a senior partner from White, Weld & Co and the academic area was also present with an accounting professor from The Wharton School of the University of Pennsylvania.

Only the three senior partners of the accounting firms were certified public accountants and this happened for a specific reason. The AICPA wanted to hear the ideas also from outside the CPA profession and, thus, including the industrial, financial and academic worlds to the study satisfied this need (Zeff, 2015, (1)).

The Wheat Study activity, that started officially in May 1971 with the first meeting, has been constantly characterised by a sense of urgency and pressure. As stated by John Biegler, the Study members that was also a senior partner in Price Waterhouse & Co, the Study members had a strong feeling that the Wheat Study was the “last call”, if they failed they would have eliminated all the possibilities to keep the standards setting activity a matter of the private sector. Such urgency can be noted by the expected date to complete the Study, 1st December 1971, only seven months.

At first the Study went through a so called “data and opinion gathering”, in which they solicited and collected the different views of the stakeholders and, in parallel, they reviewed and analysed the large accounting literature. The public hearings were attended by 17 different individuals and groups, with different views and needs. Moreover, some other bodies submitted papers and written documents manifesting through their views.
Among the heard groups, it is worth mentioning the Big Eight accounting firms and their partners, the Financial Executives Institute (nowadays called Financial Executives International) (FEI), the National Association of Accountants (NAA), the Financial Analysts Federation (FAF)\(^1\) and the Machinery and Allied Products Institute (MAPI), that represented the industrial equipment producers. Also the academic world voiced its view and participated at the public hearings.

The Study, in order to collect the information in a more efficient way, drafted five questions to which the participants had to answer (Zeff, 2015, (1)). They asked the following questions:

I. What should be the scope of the task of establishing accounting principles?

II. “Should the primary responsibility for establishing accounting standards reside in a governmental body or a non-governmental body?”

III. What should be the composition of a non-governmental standards board?

IV. What should be the methods of operation of a non-governmental standards board?

V. What should be the accounting research support for a non-governmental standards board?

The opinions expressed in the public hearing and in the submitted papers showed a great divergence on whether the board should be part time or full time and whether it should be composed by the best and most qualified professional or by representatives of the various parties. Furthermore, the appeal procedure and the balance of the members in the standard setting body had also different views. Hence, the Study had a not a clear

---

\(^1\) Not to be confused with the more important, for the sake of this thesis, Financial Accounting Foundation
understanding of what should have been the direction of the their activity, but thanks to this “data and opinion gathering” process they could grasp the sentiment of the interested parties, which might have been useful afterwards. Then, they proceeded to the actual activity of discussion between the various options. Perhaps, the one and only topic on which they totally agree was whether to create a body that establishes standard or principles. Starting from John Biegler, all of the members agreed on preferring the standards over the principles, since a standards were more consistent with the APB activity and furthermore they better described the ongoing operations. Thus, the Study’s members believed that the financial reporting environment had to be governed and ruled by a dedicated set of law, convention and standards; the principles were considered too flexible and uncertain, because their application and interpretation could be influenced by the beliefs of the users.

For all the other matters, they undertook a sort of dialectical confrontation to decide which of the option was the most suitable one.

One of the most important issue addressed was deciding if the body will be a private or public. They went head on head on this since the two different options had both positive and negative aspects and because there was also a third possibility, a private body with the participation of issuers and professionals.

They deemed the shortcoming of having the board within the public sector, including politicisation and rigidity, dangerous for the quality of the accounting profession and the financial reporting. Further, a lot of people expressed the preference for the private sector during the hearings and with the submitted papers, including the SEC and the New York and American Stock Exchanges. Therefore, they reached an agreement by which the standards setting process shall continue to be within the private sector, with the supervision of the SEC.

Another great concern was about the board being full-time or part-time. The part-time option had its considerable benefits, because the members could exercise the profession and experience the problems of accounting, leading to a diversity of knowledge and skills that could improve the quality of the board’s
decisions. Moreover, the part time board would ensure the representation of the associations and the balance of the “powers” in the board. Nevertheless, the greatest problem of a part-time board was, as stated by Zeff, the “nonindependence”. In fact, the unavoidable drift of the part time members to decide in favour of their interests was solvable only changing from a part-time to a full-time board, supposed, the latter, to be more efficient and independent. Then, the limited amount of time that the part-time individual would grant to the board was also presented, highlighting that the effort required by the complicated matters of the board would need a full-time paid board. Thus, albeit having discordant position on that, the board voted unanimously for the full-time board.

The standards setting board and the governance were also analysed. They decided to structure a body with three core groups: a standards setting board, a overseeing foundation and an advisory group (Zeff, 2015, (1))

The Financial Standards Setting Board

The Study thought to reduce the 18 members, who were usually involved in the same activity in the APB and they decided to create the Financial Accounting Standard Board composed by seven members. The FASB members were chosen among CPAs but also financial analyst, executive, academics and lawyers, in this way they wanted to move away from the requirements of the APB that asked for CPA’s member who were also AICPA members. They were member for a five-year period with a renewal option for another five years. For the approval of the standards five over seven FASB members had to agree and, since four members were CPAs, they could not form a voting majority.
Then the Study underwent a big effort for the transparency of the FASB. Indeed, the transcript of the full transcripts of the discussion of the board about the standards, with the description of the opinion for and against each topic, were attached to the standard, in order to show how the decision was taken and to provide a deeper justification and explanation. Moreover, the FASB committed to hold their meeting in public and to allow observers to join (Zeff, 2015, 1).

*The Financial Accounting Foundation*

The Study deemed necessary to establish an overseeing board, constituted by nine (nowadays increased to 16-18) members appointed by the AICPA, called Trustees (www.fasb.org & Zeff, 2015). The foundation was called Financial Accounting Foundation (FAF) and it has a certain power over the FASB, that remains however independent, because it nominates the Board’s members. One of the member was the president of AICPA, so that the AIPCA had to actually appoint eight people; then four over eight had to be CPAs in public practice, two had to be financial executives and the other two a financial analyst and an accounting professor. All of them were appointed for three years. The FAF is in charge of, as aforementioned, appointing the FASB members and the advisory council ones, and to regularly review the standard setting organisation and process.

The financial needs of the whole organisation were estimated in $ 2,5-3 million, approximately the same amount of money that was spent for the APB. At first they did not decided the policy of the fund raising, but they listed some options like having the associations represented by the trustees to pay in proportion to their presence in the committee or having the AICPA issuing an additional charge to their members firms. They discarded the possibility of a surcharge levied by the New York and American Stock Exchange on listed companies for legal and technical problems (Zeff, 2015, 1).
However, in 2002 the Sarbanes–Oxley Act (SOX) stated that, in order to provide adequate funds to the FASB and the FAF, all the listed companies had to pay an amount of money based on their market capitalisation (Baranek 2018).

Before that time, the FASB relied on funds collected through deductible donation and sponsoring organisations, like the American Accounting Association, the Financial Executives Institute and the AICPA, but it resulted in a risky system in which the major donor or sponsor could influence too much the board, even though the representatives of those bodies were appointed trustees (Elliot, 2017).

Nowadays, the provision of the SOX guarantees a large part of the funds needed to run the FASB, although the Board relies also on publication sales to institutions for a significant part of its budget (33%) (Jamal, 2014).

*The Advisory Council*

Another important part of the whole US standards setting architecture was the FASB Council. It is composed by 20 members, with no particular competence but to contribute in improving the quality of the FASB activity, appointed but the FAF. They serve the council for a one-year period, with the possibility of being renewed indefinite times, and without any remuneration.

The goal of the council is to take the voice and the opinion of the actual users and prepares and express suggestions to the FASB, this to overcome one of the shortcomings of having a full-time board.

They has three main duties, that were (1) assist the FASB in deciding the agenda and the priorities, (2) help the board when developing the standards and measuring and (3) evaluating the proposed standards, giving their opinion (Zeff, 2015, (1)).
The FAF was established in 1972 and the FASB held its first meeting the 1973, after prompt action taken by the AICPA to structure the new standard accounting process as soon as possible (Zeff, 2015, (1)).
The FASB has the authority to set standards for the private sector but the U.S. state and local governments companies dedicated standards are issued by the Governmental Accounting Standards Board (GASB), established in 1984 (gasb.org).
The accomplishment of the Study was great, to the point that “the structural balances in the Wheat Study’s design for the world’s first full-time, independent, private-sector standard setter proved adaptable to other times and other settings” (Zeff, 2015, (1), p. 27). In fact the SEC put a great pressure on the part-time International Accounting Standards Committee (IASC) to reorganise itself along the lines of the FASB ((Zeff, 2015, (1)).

Today the FASB has a similar yet different structure, since it has added some other advisory committees and bodies.
So in addition to the advisory council, called now Financial Accounting Standards Advisory Council (FASAC), they added three other groups that help providing the investor perspective, advice for the non-profit world and guidance for the small and medium enterprise (www.fasb.org).
The mission of the FASB is to establish and improve standards for the guidance and the education of the public, through a transparent and rigorous due process that will led to the formulation of new financial accounting and reporting concepts and addresses deficiencies in the existing practice. (Scott, 2015)
It also struggle to educate stakeholders on how to use and implement such standards (www.fasb.org).
1.2.1 The FASB Due Process

The FASB describes its own due process with 7 stages (8 for major project), that become 10 with the phases of education and implementation that happen after the vote for issuing the standard.

1. **The Board identifies accounting issues** based on requests/recommendations coming from stakeholders or through other means (www.fasb.org).

2. The FASB decides whether the project had to be added to the technical agenda. For helping the Board in this decision, the FASB Staff prepares an analysis of the issues.(www.fasb.org).

3. The Board deliberates at one or more public meetings the accounting issues identified and analysed by the staff at the previous stage (www.fasb.org).

4. The Board issues an Exposure Draft to solicit broad stakeholder input and participation. In some projects, the Board may also issue a Discussion
5. The Board holds a public meeting on the Exposure Draft (www.fasb.org).

6. The staff analyses comment letters, public roundtable discussion, and all other information obtained through due process activities. The Board re-deliberates the proposed provisions, carefully considering the stakeholder input received, at one or more public meetings (www.fasb.org).

7. The Board votes and, if the standard is approved, issues the new standards. An Accounting Standards Update describing amendments to the Accounting Standards Codification (www.fasb.org).

1.2 The International Accounting Standards Board

The International Accounting Standard Board (IASB) was originally called International Accounting Standard Committee (IASC) and it was formed in 1973 in London.

That period was a particularly active time for accounting standards, several entities were just born or where about to be born. In fact the FASB had just been created, UK instituted the Accounting Standards Committee (ASC), European Union started the process for having an accounting harmonisation plan and United Nations and OECD aimed to have their own accounting standards boards (Bakker, 2017).

During the 1972’s World Accounting Congress, a convention held every 5 years, several accounting professionals representatives discussed about the need of having a regulatory central board with a global outlook. At first during an informal meeting between the UK and the US delegate (from the AICPA), shortly after integrated by members from other countries like Japan, Germany,
Australia and France. They decided to create the IASC and to base it in London.

One of the biggest issue of the IASC was to gain legitimacy and approval among professionals and governments. The IASC was not a direct agency from a specific government, neither it was explicitly named by a state or a supranational body to be the official standard setter or regulator. Hence, IASC had to struggle to gain authority and acceptance among professionals and governments, starting from the International Federation of Accountant (IFAC) and the International Organisation of Securities Commission (IOSCO).

The IFAC was founded in the 1977, in the following WAC, and it is the global association of the accountants that represents nowadays 3 millions professionals all over the world.

A huge effort was put in place by IASC to spare the board to become a part of the IFAC and preserve its independence. They reached an agreement, with which the IFAC committed to respect the independence of the IASC but on the other hand all the IFAC members were also IASC members and the IFAC had a certain authority when appointing the members of the IASC board.

The acknowledgement from the IOSCO, in charge of regulating the securities and the futures markets, came after the encouragement and the commitment of the United States Securities and Exchange Commission (SEC).

The IOSCO mission was to provide to the companies listed in any IOSCO member country a sort of “accounting passport” that could allow them to be listed regardless of the specific country’s legislation.

Therefore, the IOSCO was concerned and interested in understanding whether the IASC could provide this level of assurance and quality with its standards.

The IASC had to modify a bit its philosophy, since the common criticism to IASC was that it accepted and endorsed almost any of the countries’ GAAP, becoming a “minimum common denominator” of the standards.
Since the countries’ GAAP had the objective to state precisely the acceptance range of option, the IASC, endorsing all of them, had a problem of a too vast set of alternatives allowed. Therefore, the agreement with the IOSCO forced the IASC to reduce and remove the possibilities in order to have a narrower spectrum of options and, moreover, an improved comparability across the entities.

This agreement was negotiated in 1987 by the former Secretary General David Cairns, but the process of the IOSCO endorsement was yet to be concluded.

To fulfil the requests of IOSCO, the IASC started its Comparability and Improvements Project, then completed in 1993. This activity was really burdensome for IASC, so the disappointment of the members was remarkably great when the IOSCO did not accept the outcome of such project. They did a second attempt in 1995, as a part of a broader reorganisation and revision of both the standards and the process. Such reorganisation sprang from pressure of the SEC and the FASB, which had some doubt about the due process of the IASC. Hence, in order to strengthen the quality of its IFRS, they undertook a serious reasoning about their future steps, with a particular interest in the structure.

The options were either be a large board with appointed representatives from different countries or a small entity constituted of professional standard setter with the highest degree of independence from any national interest.

In 2000, the IOSCO granted its endorsement, subject to some observations and doubts. However, the not full approval from IOSCO, albeit it was a huge step for the IASC, was immediately followed by the endorsement of the European Union, considered to be a more important and significant body. The UE provision that the companies that want to be listed have to adopt the IAS/IFRS, lead to the reorganisation of the IASC, formerly based on professional bodies. Thus, the IASC changed its name in IASB Foundation, becoming an American company and a full-time standard setters board, with a codified process, adequate governance and enhanced transparency (Bakker, 2017).
During the first IASB meeting, the board adopted all the IAS and the SIC (the interpretation of the IAS), therefore they are now still valid and enforced. In addition and in parallel to them, the IASB issues the IFRS and IFRIC Interpretations (Ankarath, 2010)

**Governance**

![Governance Diagram]

Bakker, 2017

The current governance is structured with 4 different board or committees: The IFRS Foundation, the IFRS Interpretations Committee (IFRIC) and the IFRS Advisory Council (AC). Moreover there is an overseeing body called Monitoring Board.
The IFRS Foundation

It is the most important one, Wiley called it the “keystone” of the whole IASB mechanism, and it is in charge of several strategic activities, independent and not connect to the actual standard issue. It appoints the members of the IFRIC, the IASB and the AC, it approved the budget of the Foundation, it collects funds and donations and oversees the standard setting process and the strategy, in addition to the five-years review of the IASB constitution. It can be said that it holds the power and the strategic steering authority of the whole process (Bakker, 2017 & Ankarath, 2010).

The Foundation it is composed by 22 members called Trustees, six from North America, six from the Asian and Oceanian region, six from Europe and the last four coming from other parts of the world (Ankarath, 2010).

The Monitoring Board

The Foundation reports to, and is overseen by, the Monitoring Board, that has the authority of appointing and removing members. Such Board is composed by representatives of the IOSCO, the UE, the SEC and the financial agencies of Japan, Brazil, China and Korea. The Basel Committee on Banking Supervision it is not part of the Board but it joins the meeting as observer (Bakker 2017 & www.ifrs.org)

It has the objective of establishing an effective and formal link between the Trustees and the public authorities, in such a way as to improve the accountability of the Foundation (www.ifrs.org).
The Advisory Council

The Advisory Council (AC) is formed by preparers, investors, auditors, academic and professional and it is the advisory committee of the IASB and the IFRS Foundation, providing opinions and suggestions in order to improve the quality of the IASB process and the Foundation activity (Bakker, 2017).

More specifically, the AC provides advices and support to the IASB for the agenda setting and the priorities. Moreover, it holds a public meeting in which people with different geographical background and different professional experience can share their view. The collected material can become future suggestions for the IASB and the Foundation,

The 30 or more individuals of the AC are appointed by the IFRS Foundation and they are nominated for a three-year renewable time period (Ankarath, 2010)

The International Accounting Standards Board (IASB)

Then there is the activity of issuing the standards, that is direct responsibility of the IASB.

Such board is composed by 14 members, 12 full time and 2 part time; all of them are appointed by the Trustees for a five years term, renewable only one time (Bakker, 2015).

The IFRS Foundation has strict parameters to choose the IASB member. The candidate has to possess a strong technical competency and a deep knowledge of the financial reporting but also great communication skills and disposition to work in teams. Moreover they have to be informed about the dynamic financial environment and receptive to its sudden developments and variations (Ankarath, 2010).

The IASB has the duty of developing the IFRS standards and the IFRS for the small and medium enterprises. Furthermore it is also responsible of the
approval of the Interpretations of IFRS Standards developed by the International Financial Reporting Interpretations Committee (www.ifrs.org).

The International Financial Reporting Interpretations Committee (IFRIC)

The IFRIC is composed by professionals and it has the function of answering preparers’ questions and inquiries about how to apply and interpret the standards established by the IASB (Bakker, 2017). Its interpretative guidances are also needed when there is the concrete possibility that a certain standard could be misinterpreted, thereby leading to an improper application.

The appointed members are 14, furthermore the IFRS Foundation has the right to nominate non voting observer, which can represent other bodies or association, with the license to speak and to participate at the meetings. (Ankarath, 2010).

From 2001, the now called IASB has started to issue the International Financial Reporting Standards (IFRS); that coexist with the standards and the rules released before that time called International Accounting Standards (IAS) (Zeff, 2015 (1))

The funding raising policies of the IASB and the IFRS Foundation are based primarily on fees levied to individuals, companies or government which are involved in the setting process and on voluntary provisions (Jamal, 2014 and Bakker, 2017).

Moreover, they have a percentage of its annual income (around £30 million) that is self generated, namely funds raised through sale of subscription services, publication and licensing.

In the graph, with public funding they imply the contribution from countries and jurisdiction that use the IFRS and it services; it is then each country or
jurisdiction’s duty to decide how to collect the money, usually with a levy on companies or through public funds.

Nowadays, the IASB has changed a bit its structure, in order to enhance the quality of its standards. Like FASB, it added other advisory groups to help the board with insights and advices on, among others, emerging economies, Islamic finance, and small and medium enterprises (www.ifrs.org). An interesting modification of its structure is the establishment of the Due Process Oversight Committee (DPOC), which is a Trustee committee responsible of reviewing and approving the due process and its modifications and assessing the compliance of the IASB (www.ifrs.org). This provision clearly underlines how much the transparency and accountability of the due process is important for the IASB.

The objective of IASB is to create globally accepted, high-quality standards that can facilitate the free flow of capital through all the countries and can be accepted around the world in order to improve financial reporting internationally. Moreover, this activity needed to be pursued simultaneously with endeavours to influence government, regulators and accountant
professionals to comply with their standards (Bakker, 2017 and Ankarath, 2010).

1.3.1. The IASB Due Process

The IASB divides its own due process in 4 macro stages:

1. Research programme
2. Developing a proposal for publication
3. Re-deliberations and finalisation
4. Post-implementation reviews

Research programme

In this stage the IASB analyses the possible accounting issues by collecting information and evidence about such issues and evaluating the solutions. The IASB can do this through the Publication of a discussion document like discussion paper, request for information and research paper. Not all the ideas coming from this phase will reach the end of the due process and become new standards or modification to existing standards (www.iasplus.com).

Developing a proposal for publication

When the IASB has decided to solve a specific issue, the Board adds the project to its agenda and then it publishes an exposure draft. To the draft, that
is issued for the public consultancy, the IASB can also conduct other activities like public meeting, forums and roundtable meetings (www.iasplus.com).

Re-deliberations and finalisation

In this stage the IASB reviews all the feedbacks received in the previous steps and delegates to the technical staff the task of preparing the standard for the vote. If deemed necessary, the IASB can proceed to re-expose the proposal and collect new comments and information. Then if the Board approves, the standard, or amendments, is established (www.iasplus.com).

Post-implementation reviews

IASB usually carries on post-implementation reviews of major standards or modifications, after two year from the date of their issuance. The aim of this activity is identifying any possible issue of those standards, both in their issuing process and in their implementation process (www.iasplus.com).

Detailed steps (from www.iasplus.com)

1. Research programme

   1.1. Publication of a discussion document (e.g. discussion paper, request for information, research paper)

2. Developing a proposal for publication
2.1. Consultation with IFRS Trustees, IFRS Advisory Council, and Accounting Standards Advisory Forum (ASAF)

2.2. Project formally added to IASB's agenda

2.3. Establishment of a consultative group for major projects (e.g. expert or specialist advisory groups)

2.4. IASB debates and develops proposals in public meetings

2.5. Paper presented to IASB summarising steps taken, basis for decisions to not have consultative groups, field work, etc (where applicable) and recommending comment period

2.6. Publication of an exposure draft (normally including a basis for conclusions and must be accompanied by a press release)

2.7. Publication of additional materials to support an exposure draft (e.g. podcasts, webcasts, 'snapshot' documents, Q&As, presentations)

3. **Re-deliberations and finalisation**

3.1. Exposure draft is open for comment for a minimum period

3.2. IASB considers feedback received from consultation process

3.3. IASB considers the need for re-exposure

3.4. Additional consultation through field tests, public hearings and roundtable meetings
3.5. Standard is prepared for voting and the DPOC is informed about the IASB intentions

3.6. Publication of standard

3.7. Publication of materials accompanying a standard project summary and feedback statement

4. *Post-implementation reviews*

1.4 The Australian Accounting Standards Board

A small paragraph is dedicated to the accounting regulator body of Australia. The reason behind this choice is that this can help even more in understanding the core of this thesis.

In fact, as aforementioned in the introduction to this chapter, the particular structure of the AASB governance will be analysed from the political influence point of view and its diversity compared to the FASB and IASB model will be one of the core topic of the third chapter.

Originally, in Australia, the accounting standards were developed by the professional accountants and the only form of enforcement was the code of ethics and the moral of such accountants. Like in the US, at first the accountant bodies, called Institute of Chartered Accountants in Australia (ICAA) and Australian Society of Certified Practising Accountants (ASCPA), associated themselves in the Australian Accounting Research Foundation (AARF), also divided in two standards setter boards, one for the private sector and one for the public one.

From 1966 to 1984 AARF didn’t have any enforcement from the law and the state. To solve this the Australian government established the Accounting
Standards Review Board (ASRB), which had the responsibility to review the standards and give them authority through the force of Company Law (Stoddart, 2000 & aasb.gov.au).

With the Australian Securities Commission Act 1989 the private sector part of AARF merged with ASRB and the newly created institution was called Australian Accounting Standards Board (AASB). It started its activities in 1991 with part-time members nominated by the Treasurer, hence the government. The legislation did not provide the number of those member, though they were usually eight or ten. Such appointees were representatives of several Australian association and bodies like the Australian Stock Exchange (ASX), Accounting Association of Australia and New Zealand (AAANZ) the Institute of Chartered Accountants in Australia (ICAA) and the Australian Society of Certified Practising Accountants (ASCPA). Other bodies like the Australian Securities and Investment Commission (ASIC, formerly the Australian Securities Commission) and Business Law Division of the Treasury used to attend the meeting, which are public, as observers (Stoddart, 2000).

The AASB were responsible for setting the standards for corporations and other entities identified by the ASX, such standards are enforced by the Corporations Law.

The public sector part, the one that was not incorporated within the AASB, is called the Public Sector Accounting Standards Board (PSASB), founded in 1983 and in charge of developing standards for the public owned companies. Its board’s members were nominated by the ICAA and the ASCPA (Stoddart, 2000).

However, in 2000 also the PSASB, was embodied in AASB, thus there is now only one organism responsible for both the public and the private sector.

Initially the standards issued by AARF were called Australian Accounting Standards (AAS), then from 1991 all new standards have been called AASB Accounting Standards (www.aasb.gov.au).
Nowadays the AASB is composed by eleven members plus the Chair, thus twelve in total. The ministry appoints the Chair whereas The Financial Reporting Council (FRC) appoints the other members, who usually have different jobs and experiences. While the Chair is full-time, the others are appointed on a part-time basis.

Such board has several objectives, but the main and most important one is to develop, issue and maintain high-quality standards for both private and public sector that meet user needs enhancing consistency and quality and to contribute to the improvement of accounting standards worldwide.

The other important body is the FRC. In fact, it oversees the whole process and the AASB work, providing advices and reporting directly to the minister. As the figure shows, the AASB has a direct link to the government, since the Ministry appoints the Chair. In fact, the AASB website describes the board as “an Australian Government agency, reporting to the Minister for Superannuation and Corporate Law” (www.aasb.gov.au).
Thus, compared to IASB and FASB, the whole AASB is way less independent since there is a higher probability of pressure from the government to adapt the accounting choices to the government agenda.

Being a government agency, AASB receives funds directly from the Australian Treasury budget and from the states and territory of Australia. Moreover, it has other revenues from the association like ICAA and ASCPA and from the ASX, with a procedure similar to the one used by the SEC to raise funds for the FASB (Stoddart, 2000 & aasb.gov.au)

As stated on its website, “The AASB is committed to developing, in the public interest, a single set of high quality, understandable accounting standards that require transparent and comparable information in general purpose financial statements”.

1.4.1 The AASB Due Process
The AASB due process, characterised by a high degree of participation of the stakeholders can be segmented in the following phases:

*Accounting issues identification*

The AASB, after its own consideration or inspired by organisations and individuals’s suggestions, identifies accounting issues that may need a pronouncement of the Board to be solved (www.aasb.gov.au).

*Add the project of new standards, or adjustments, to the agenda*

After having decided which issues to solve, the AASB develops a proposal and it adds it to the agenda (www.aasb.gov.au).

*Research, discussion and consideration about the issues*

The AASB, then, discusses the papers provided by the AASB Staff, which regards the objective of the project, the alternative approaches and the timing roadmap (www.aasb.gov.au).

*Consult with stakeholders*

In this stage the AASB make the documents available for the examination and the comments of the stakeholders. This can be done through the publication of a document (an exposure draft, an invitation to comment or discussion paper) or via meeting like roundtable discussions and focus groups.
In this way the AASB wants to collect as much feedbacks as possible in order to enhance the quality of the new standard or amendment (www.aasb.gov.au).

*Establishment of the standards or other pronouncements*

The outcome of the AASB process can be new standards, modification of existing ones or other pronouncement like new interpretations or amendments to the conceptual framework. After that, the AASB will receive and examine the comments coming from the stakeholders (www.aasb.gov.au).

*Implementation and compliance*

The AASB will continue to check and monitor the implementation of the standards and the interpretations. The scope of this phase is assessing whether in the future such pronouncements will need to be revised (www.aasb.gov.au).

1.5. Concluding remarks

This descriptive chapter had the scope to introduce the major accounting standard setters and to provide relevant information that will need to better understand the following chapters. In fact having a knowledge of how the regulators work will be extremely useful since in the third chapter there will be an analysis of the relationship between the regulators characteristic and the lobbying. Hence, this overview aims to facilitate the comprehension and to deepen the analysis of the lobbying activity, that is the objective of this thesis.
2. Analysis of the Lobbying Activity

2.1 Introduction

Politics in accounting regulation has gained relevance over the year. In this chapter it is analysed what is the lobbying, how players can have an influence over the regulator and how they act to change the standards and the rules. It is highlighted that the political influence activity can vary depending on a significative number of interrelated issues. The companies have to decide whether to lobby or not and which tool to use. In fact they can submit letters, give oral testimonies or use different, subtle and indirect ways. Then the stage in which they act is fundamental, since intervening in the early stage of the process entails using a different approach than doing it on the late ones.

Thus, this chapter will look at the topic of this thesis from the lobbyists perspective and it will analyse who are the lobbyist, why do they intervene, when they do it and how they influence the regulators. Then some example will be provided, in order to introduce concrete events for helping understand and assimilate better the theoretical concepts.

2.2 Definition of lobbying

The definition of lobbying is quite complex and it have had, over the years, a lot of different interpretations (Nownes, 2006). A basic definition of what lobby is, in general, has been provided by Frank R. Baumgartner and Beth L. Leech, cited by Nownes, and states: “Lobbying is an effort to inflict the policy process” (Nownes, 2006, p.5). Then Nownes modified it a little, with the aim of describing the broad meaning of the word and, therefore, stated “Lobbying is an effort designed to affect what the government does” (Nownes, 2006, p.5).
Another definition of the lobbying is given by Zetter and is: “Lobbying is the process of seeking to influence government and its institutions by informing the public policy agenda. It is also, of course, the art of political persuasion” (Zetter, 2008, p.3).

Furthermore, Gelak provides some other description of the lobbying phenomenon. She states that lobbying is “conducting activities aimed at influencing public officials and especially members go a legislative body” (Gelak, 2008, p.5)

Then, another definition is that can be defined lobbying “any attempt by individuals or private interest groups to influence the decisions of government” (Gelak, 2008, p.5)

From these scholars’s definition it arises that the lobbyists influence any government decision and they can exert such influence on several aspect of the government activity, from the civil law to the election, from the land use legislation to the accounting standard regulation.

The focus of this thesis and this chapter is on the lobbying and the pressure on the accounting regulation.

Such political influences over the regulators can be described as an intervention in the process of setting the accounting standards “[…] with the goal of affecting the outcome of that process to increase that entity’s economic value or wealth or achieve some other self-interested purpose” (Gipper, 2013 p.525). When an entity tries to influence the standard setting process, usually it pursues its own economic advantage or, sometimes, it aims at damaging other competitors.

In other words, the regulators’ intended outcome is modified by the pressure of this entities, in such a way that the final objective of the standard will be the lobbyists’ most convenient one. The political pressure can be stronger or lighter and, accordingly, the outcome will be more or less beneficial for the lobbyist (Gipper, 2013).
2.3. Who are the lobbyists

A lot different players can influence the process like managers, companies, professional associations, accounting firms, unions and government agencies. Even the parliament may intervene, directly or indirectly; however it is usually a political party or an individual within the parliament that wants to influence, not the parliament itself.

A group of enterprises that is likely to intervene in the standards setting process is the accounting firms. Both the Big Four and the small accounting companies usually participate to enhance the characteristics of the financial reporting and the standards; however sometimes they play a role of agent on behalf of their clients, thus, trying to reach an outcome that favours such clients.

A similar objective is also pursued by the audit firms, they influence the regulators for improving the quality, for their own interest (modifying the requirements in a particular area in order to reduce the costs or to increase the audit demand) for the interest of their clients.

An important body that often influences the accounting standards decision in the US is the SEC. This requires an analysis since its lobbying activity has some interesting characteristics.

First of all, usually the SEC endures political pressure from the Congress and other government agencies, which have issues regarding the standards setting regulators’ agenda and behaviour, to influence the accounting choices. So that the SEC, in such case, acts as a vehicle that brings the requests of the aforementioned subjects to the standards setters board. Moreover, the SEC also acts and intervenes in order to achieve its goals and it strives to have goals and to take decisions consistent with the regulators’ ones. Clearly, the SEC has power and influence over the FASB, because of its governance and history.
That being said, the Commission also undergoes pressures to take stances that are completely incoherent with the FASB provisions, so that the general outcome of the FASB and the SEC requirements, judgements and rules could be misleading for the investors or the preparers of the statement (Gipper, 2013).

One example of that is given by Gipper. In the 70s the FASB decided to allow solely the successful efforts methods for the oil and gas companies’ exploration cost, so that the cost of such activity could have been capitalised only if the drilling well activity had been successful (Scott, 2015). The political lobbying of such companies persuade the SEC to allow them to use either the successful efforts method or the full cost method, which allowed to capitalise the expenses for drilling in any case.

2.4. The tools and the methods of the lobbying activity

A lobbyist may want to avoid the impact of a standards by banning it or to pressure in order to obtain a more beneficial one and the tools to do that are several. The lobbyists usually write letters and participate in public hearings to expose their view on a particular matter, striving to influence the decision. Then there are a set of action that the lobbyist can undertake to lower the regulators’ power, like operations to compromise the standard setter’s reputation and independence (Nobes & Parker, 2010). Another categorisation of such tools, divides them in direct and indirect methods.

Direct methods entail that the lobbyist is personally involved in the political pressure, whereas though the indirect methods they exert influence on a third party that will lobby on their behalf (Georgiou, 2004).
A small yet interesting analysis is dedicated to the PACs and their role in influencing the accounting decisions.
PACs, Political Action Committees, are organisations that, in different ways, collect contributions from the people and other organisations and donate them to fund the campaign of a specific politicians or political party. PACs aim is to influence the results of the vote or the ballot, helping the candidate to win; they do that in a completely transparent way since they need to enrol themselves to a specific register (www.fec.gov).
Hence, studying the lobbying action of the PACs in relation to the lobbying activity of the congress could give some new insight about how much the accounting standards will be influenced.

Georgiou, 2004

<table>
<thead>
<tr>
<th>Direct methods</th>
<th>Indirect methods</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) Submitting letters in response to invitations to comment on discussion papers or exposure drafts</td>
<td>(a) Commenting in the media</td>
</tr>
<tr>
<td>(b) Speaking at public hearings</td>
<td>(b) Appealing to trade or other organizations representing the interests of the company</td>
</tr>
<tr>
<td>(c) Having meetings with the regulator members or technical staff (e.g., project directors)</td>
<td>(c) Appealing to own company’s external auditors for support</td>
</tr>
<tr>
<td>(d) Communicating your company’s views to the regulator members or staff through other means (e.g. telephone conversation, meeting at conferences)</td>
<td>(d) Appealing to the accountant/auditors associations members</td>
</tr>
<tr>
<td>(e) Having consultants working on particular projects</td>
<td>(e) Appealing to government representatives and members</td>
</tr>
<tr>
<td></td>
<td>(g) Sponsoring research studies</td>
</tr>
<tr>
<td></td>
<td>(h) Having members of your company appointed as consultants to the regulator on particular projects</td>
</tr>
</tbody>
</table>
The first finding is that the higher is the interest of the companies, the higher is their contribution to the PACs, since in that way they are more confident that the influencing endeavours are successful.

The former attempts of the companies and the accounting/auditing firms were above all in form of comment letters. With the PACs, there is another tool to lobby, since the politician elected has a certain duty to their constituencies and the PACs that supported him (Gipper, 2013).

2.5.5 The Reasons of the Lobbyists

An analysis of the reasons behind the lobbying activity is crucial to better understand this phenomenon. In fact, it is proved by several authors that the aim of the political pressures changes accordingly to some specific characteristics of the lobbyists. Moreover, the method put in place to pursue such objective is not always the same and depends, sometimes, on the structure and the governance of the regulator (Gipper, 2013).

Therefore, “the way you score a game determines the way the game is played” (Nobes & Parker, 2010 p.251); since according to the specific situation, the companies act in a different way.

From a theoretical point of view, the companies’ decision about how to structure their political pressure process starts from an economic analysis. Many scholars believe that the choice is a function of the lobbying benefits and the costs that such activity generates. Such lobbying benefit could be related to the company itself or, as will be explained afterwards, to the corporate managers of the companies.

Thus an entity or an individual chooses to lobby when the utility of the standards after its influence exceeds the utility of the standards in its authentic and original form. Moreover such difference between the utilities

$$[(U_a - U_b) > 0]$$
is discounted by the probably of success \((p)\) and the whole outcome has to be higher than the cost of lobbying \((C)\) (Georgiou, 2004).

\[(U_a - U_b)^* p > C\]

This means that the lobbyists need to be careful, they can not spend money and time, for example, to influence an individual or a body whose preferences would not affect the standard process (Königsgruber, 2009). Thus, the lobbyists have to think, evaluate and prepare their strategy, according to the involved actor and the desired result.

That being said, it is not possible to rate and classify \textit{a priori} the methods according to their cost-effectiveness. Sutton, cited by Georgiou, stated that the benefit of a specific lobbying action depends on the situation, thus the judgement must follow a “case-by-case and lobbyist-by-lobbyist basis” (Georgiou, 2004, p.223).

As far as the specific reasons are concerned, preparers companies, that are firms that report their financial information using the accounting rules and principles provided by the regulatory authorities, have many reasons to lobby. First of all, when a standard reduces their possibility to manage the earnings, the listed companies will push to ban it. In fact, if they communicate an expected, for example, revenues per share indicators to securities analysts and such forecasts are wrong, the companies’ share price could drop heavily. Thus, the companies want to keep the flexibility of managing such profits and adjust them accordingly (Nobes & Parker, 2010).

Gipper states in his articles that firms with a high exposure to regulatory and political pressure (e.g. anti-trust actions) tend to lobby in order to have accounting rules that lower their profit. This because such companies, which are usually big firms, reduce the risk of facing adverse political consequences by showing a lower reported profit. (Nobes & Parker, 2010 & Gipper, 2013).
On the other hand, companies that do not endure political pressure from third parties are more likely to exert their influence on the regulators in order to obtain standards and rules that increase their reported income. Another outcome of its research is that usually the big firms are more likely to lobby, since they have more power, money and skills to study the rules and understanding how changing it could be beneficial for the company.

A further finding was that the decision whether to lobby or not, was correlated to the impact of the standards on the management compensation plans and, more specifically, the stock options plans. In fact, the managers are extremely concerned about their income and their benefit, therefore if a standard negatively affect those earnings they will lobby to remove or change such disposition (Gipper, 2013).

Moreover, the managers’ reputation is at stake too, because if the company’s numbers are not good enough, they could loose the “prestige” of being successful managers; so they have another reason to make the company lobby on behalf of their interests (Nobes & Parker, 2010).

Thus, the company’s benefit is not the only reason taken into account when the firms decide to lobby (Gipper, 2013).

Interesting outcomes also arise from the study on accounting and auditing firms, that, as aforementioned, may have a two side objective in the lobbying activity: pursuing rules modifications beneficial for their clients or push the regulators to issue standards useful for themselves.

At first, the common thought was that the regulator was influenced by the accounting and auditing companies and such companies were in turn dominated and captured by their clients. Thus, the final lobbyists were the companies’ clients that pushed to obtain rules and standard beneficial for themselves as a company but also for their management.

The research found out that, albeit the companies and the clients had similar positions, the regulator (the FASB in this case) was not consistently influenced
by such constituency. Hence, the close relationship between the accounting firms and their clientele was likely to give rise to a political influence by the latter over the firms. But this lobbying activity did not continue its stream to the FASB, that kept its independence from the firms’ influence (Gipper, 2013). Then, the issue about the accounting and auditing firms lobbying for themselves was analysed.

It was, indeed, an effective option for such companies, to pressure the standards setters boards to issue rules and provisions which require more demand for audit and accounting services, hence more profit for them. Furthermore, they would influence the regulators when they are specialised in clients that use accounting methods that a particular standard suppresses.

The first discovery is that the companies do not automatically favour their clients, but in some cases they took opposite positions, because they might act and decide in order to reach their own benefit, even though such action could be harmful for the clientele (Gipper, 2013).

An additional proof of this comes from Marsha Puro research, also cited in Gipper. She looked for clues about the auditing and accounting firms activities and divided the lobbying in two different actions. The regulation view comprises the pressure in order to obtain rules beneficial for the accounting and auditing themselves, whereas the agency view regards the actions put in place to favour their clients. Puro found more support for the regulation view, thus such firms are more likely to lobby in their own interests.

A further shared assumption was that the companies would create a lobbying partnership for certain topic, thus having more power over the standard issuers. That could happen for a specific sector (oil and gas for example) or for a specific matter that had effect on different companies; a cartel or a syndicate, either legal or not, would encompass all the voices of the concerned firms in one.
The research proved that there is no strong evidence of that, since the alignments of the company vary significantly across the topics (Gipper, 2013).

2.6. The Timing of the Lobbying Activity

Furthermore another variable is the timing of lobbying, that regards the steps in the process of standards setting which are targeted by the entities for their lobbying actions. Each regulator has its specific process when thinking, preparing and establishing the standards, they are usually composed by an early phase of discussion in which they set the agenda and collect information publicly and then a late stage in which the process reaches its end and the standard is effectively issued.

For the sake of this examination, a due process can be segmented in six phases:

1. Agenda formation stage
2. Drafting stage of Discussion Paper
3. Exposure period of Discussion Paper
4. Drafting stage of Exposure Draft
5. Exposure period of Exposure Draft
6. Drafting stage of Financial Reporting Standard

The first three steps are considered to be part of the “early stage”, whereas the other three are comprised in the “late stage”. Within the early stage, some regulators also have a stage for public hearings.
At the beginning, the belief was that the companies have more incentive to intervene in the early stage. This idea, coming from the scholars’ literature, is based on the theory that in first phases the regulators are more malleable since their opinions and beliefs about the topic are not perfectly shaped yet, the probability of influence them \( ( p ) \) is higher and, thus, the lobbying is perceived to be more effective. But, pushing the regulators in the early stage can be more expensive \( ( C ) \), because the scope of the standards is not identified yet and so the companies may have to lobby for several topics. However, some researches found that the lobbyist are more likely to exert pressure on the final stages of the setting process.

The possible explanation for that can be two-fold. The first possibility is that the companies have reached a skill level in lobbying such that they are more confident about the influencing outcome when they intervene in the late phase, making the literature and the theory not consistent with the empirical proof. Then another interpretation take into account the defence mechanisms of the regulators. In fact, the boards might set the agenda in a vague way in order to prevent the lobbyist to manipulate it.

However, some scholars state that, albeit some company acknowledged the fact that lobbying in the early stage is more costly and complicated, such outcome by which the entities tend to lobby on the final steps of the standards issuing procedure is due to the reluctance of the lobbyists to show that they lobbied on the early phase. Such behaviour might be seen as contrary to the public interests and, hence, make their reputation to drop (Georgiou, 2004).

Moreover, it is also demonstrated that the lobbying activity is a “multi-period game” (Gipper, 2013, p.540). The decisions of the companies, indeed, are not based on the particular standard or the particular situation, but on a longer period.

In other words, they evaluate whether and how to intervene basing their reasoning on multiple years and taking into account multiple choices (Gipper, 2013).
In fact, while the lobbying analysis carried out considering only a single episode of the process has some advantages, like the ease in collecting and evaluating the information, a multi-period approach can show more deeply and exhaustively the company's (or more generally, the entity's) lobbying strategy (Georgiou, 2005). The companies tend to act in a strategic way, making choices apparently inconsistent with each other that are, however, part of a bigger lobbying plan. Another strategic action that can be undertaken in the long run, is taking a specific stand only to identify the preferences of the competitors or to give a signal, that can also be false and misleading, to the other lobbyist about the companies next move. All of the mentioned strategic move can not be appreciated by a single-period approach. Hence, the distinct political pressure action has to be considered as a single move in a multi-period and multi-move lobbying game (Amershi, 1982). Moreover, the intrinsic way of conducting the empirical researches of this approach allows the scholars to study a larger sample of companies for a longer period of time, therefore ensuring better results. A research conducted on a smaller group of observed subjects is more likely to be susceptible to errors made in classifying lobbying behaviours as well as the lobbyists' reasons and objectives (Georgiou, 2005).

2.7. Examples of Lobbying

2.7.1 Introduction

This section concerns a few examples of lobbying actions. Providing an overview of the political pressure actually exerted over the regulators has an useful objective: having a clearer understanding of how the lobbying acutely works, thanks to a concrete and real events that are complementary with the theoretical explanation.
At first, there will be a list of FASB endured lobbying actions, followed by the IASB ones. Naturally, the FASB provides more examples thank to its longer history, since USA was among the first countries to have a standard-setter body (Nobes & Parker, 2010). However, some studies have demonstrated that it’s easier to lobby in Europe than in the US, due to the several veto players of the European process of endorsement. In fact, the possibilities to stop the endorsement in the EU are higher, since the lobbyist can appeal to the several political and technical committees (or even the Parliament) that can raise doubt and question or ask for more information, thus, slowing or interrupting the approval by the EU (Königsgruber, 2009).

2.7.2. FASB

2.7.2.1. Investment tax credit

FASB had to endure several pressure during its life, but the pressures were strong also before its creation in 1972. From 1962 and 1971 the federal government of US went through a lot of pressure after the introduction of the investment tax credit. Obviously, the pressures were not about the provision itself, that was actually deemed beneficial and fruitful for the companies since it favoured the purchase of capital goods. The issues were about how to account for the tax credit in the financial statement. Lobbyists promoted two ways to overcome the controversy: the flow-through method and the deferral method. Promoters of the former argued that the tax credit should be accounted immediately to profit, whereas supporter of the latter advocated that such value should be subtracted from the price of the capital good.
They both had their justifications. The flow-through approach allowed to boost the companies’ profits and, thus, giving a huge incentive to capitalise themselves and expand employment. On the contrary the deferral method school of thought believed that the company’s nature entails that it should be gain profits by selling more and not by buying.

As aforementioned in the chapter 1, the former US standard issuer was the APB and it was doubtful about which method to endorse.

At first they parted for the deferral method, with the strong and decisive support of the Big Eight accounting firms. However, the industrial world and the Administration of the president John Fitzgerald Kennedy strongly argued against such decision, since they believed that the undeniable benefits of the flow-through method should not be lost.

Hence, the Administration pressured the SEC to allow the use of both methods.

The consequences of those political pressures were a full overrule by the SEC over the APB and a successful lobbying act.

This issue arose a second time in the 1967, but the Assistant Secretary of the Treasury hindered and blocked the APB resolution of allowing only the deferral method using the same reason of the JFK Administration.

In 1971, the Administration of President Richard Milhous Nixon introduced an other investment tax credit, called for political reasons job development credit. The question about the two method, thus, had been debated again.

The APB tried to limit the choice to the deferral approach, but the Treasury stipulated in the job development credit act that the taxpayer companies could use any accounting method to deal with the tax credit. The APB was, therefore, disavowed and powerless, as well as the SEC, since it is a body of the Congress (Nobes & Parker, 2010).
2.7.2.2. Post-employment benefits

A further lobbying act over the FASB regards the post-employment benefits in the period from 1987 to 1990. This case is particularly interesting because the prepares failed to influence the FASB, albeit their attempts. The Board wanted to establish a rule according to which the so far unrecognised costs for the health benefits of all current and retired employees had to be recorded as a liability in the financial report. Before that moment, the expenses were not accounted on an accrual basis but when they were paid, thus the companies were worried about the huge liability increase arising from such provision. Albeit the significant impact of those expenses on the balance sheets and, the great lobbying of the companies against the standard, the FASB resisted to these lobbying actions (Nobes & Parker, 2010).

2.7.2.3. Employee stock options (ESO)

This topic is probably the most famous and important example of political influence on the FASB. In 1993, the FASB published an exposure draft about accounting the expenses of the stock-options granted to all the employees in the financial statement; the value had to be expensed using a fair value option pricing model. Before that time, the companies had never expensed such stock-options plans since their exercise price was equal to the share price and, thus, there was no “intrinsic value” to account in the balance sheet. The companies believed that the undeniable aftermath of this new provision for the ESO was the drop in their earning, followed by a corresponding decrease of the hitherto generous grants of stock option to the top-level and regular employees.
The firms’ and, in particular, the high-tech sector’s reactions were strong and immediate. They tried to influence the Board, but, due to its unresponsiveness, they appealed directly to members of the Congress. Some congressmen introduced bills to urge the SEC not to enforce that standards, but there also were members that presented bills in support of the FASB position, ordering the SEC to, instead, implement and enforce the provision.

In March 1994, for allowing the critics and the opposers to manifest their aversion and to propose adjustments, the FASB held a public hearing in the Silicon Valley and a huge protest broke out, with marching band, inspirational speakers and the “STOP FASB” rallying cry.

This caught the attention of the newspaper and the television and six weeks later, the Senators that opposed the standards approved a non-binding resolution in order to stop the FASB in its purpose, due to the catastrophic economic consequences that the standards would have had, in their opinion, for the new-growth sectors business.

The stakes were high and the companies’ political pressures were strong and thorough.

In October 1994, another bill was proposed, which would have been extremely detrimental for the FASB if it passed. Such bill promised that the SEC had to vote and confirm by a majority vote every new FASB standards.

Hence the FASB independence and existence was in jeopardy, since it risked to become a mere technical board and to delegate all the decisions to the SEC.

The SEC Chairman talked the FASB into retreat from its position, due to the huge pressures coming from the Congress.

In the end, the FASB approved this controversial standards allowing a more convenient alternative, according which the information of the stock options impact would have been disclosed in the balance sheets’ footnotes; however only few companies adopted it.
The FASB had great issues in dealing with that topic and that’s why this event is considered to be the most famous lobbying attempt to the FASB standards (Nobes & Parker, 2010).

2.7.2.4. Banks’ accounting for losses under fair value accounting

A more recent episode of lobbying concerned the fair value evaluation of banks’ accounting for losses. This happened in 2009, during the crisis, and the claims were that the negative effects of that could be heavily harmful for the whole banking sector and, therefore, it could lead to an even worse credit crunch for families and firms.
Bringing those concerns as explanations, the banking worlds pressed the Congress, which, in turn, urged the FASB to intervene and modify the rule.
After such pressures, the Board managed to solve this controversy, allowing the bank to have more flexibility in exchange of an increased disclosure (Nobes & Parker, 2010).

2.7.3. IASC/IASB

2.7.3.1. Financial instruments

IASB had fewer cases of lobbying as compared with FASB, yet the controversy of the 2002-2004 period over the IAS 39 was one of the major political battle of IASB’s life.
That standard regarded the measurement and the recognition of financial instruments and the issues arose in the relationship between the EU and the FASB.
The IAS 39 had a severe opposition by the preparers and the companies, which presented strong complaints. The banks claimed that the full fair value
evaluation and the restriction on the hedge accounting would provoke a huge earnings volatility and a new and disadvantageous risk management politics. Moreover, the European Central Bank and the Basel Committee of bank regulators believed that the fair value option would entail a undervaluation of bank liabilities and an artificial volatility, thus leading to a lower credibility of the whole system.

After such complaints and the opposition of the EU, the IASB amended the IAS on the fair value, although keeping the provision on the limitation on hedge accounting.

The amendment was the result of a thorough political pressure from the banking sector and even the single countries, since the France President Jacques Chirac wrote to the President of the European Commission, Romano Prodi to persuade the Commission not to adopt the standard (Nobes & Parker, 2010).

2.7.3.2. Reclassification of investments in securities

This lobbying case is particularly interesting because there wasn’t any attempt to persuade in modifying a rule but actually to introduce a new standard. The pressures came from the french banks, since they had a lot of debt securities classified as “trading” securities and they did not want to report the huge losses on such financial instruments.

Therefore they pressure the Commission to force the IASB to issue new standard that would allow such banks to reclassify the depreciated debt securities as “held to maturity” and, thus, with the amortised cost method. Moreover they wanted this reclassification to be back-dated, so back then when the values of the securities were higher than the carrying amount accounted in their financial statements.

In this way the banks did not have to evaluate the securities at the fair value and, since this happened in 2008, that meant the companies did not have to
depreciate them, suffering huge losses (Nobes & Parker, 2010 & Hughes, 2008 Financial Times & IAS 39).

Hence, after a powerful political influence activity endured by the Commission, the IASB was threatened with the loss of its franchise to set standards if they would not solve the controversy in quickly. The pressure was massive and unprecedented, so the IASB in few days amended the IAS 39 allowing such reclassification with backdating without going through its ordinary due process and, for that, having secured the IASC Foundation trustees’ authority. Although, such provision of a back-dated reclassification was available under the US GAAP, the IASB had never allowed it. The Commission approved in just two days, making it the fastest endorsement up to that moment and showing how important and powerful were the lobbying forces (Nobes & Parker, 2010).

2.7.3.3. Operating segments

The issue about the operating segments accounting recognition has been a transversal topic of lobbying concern, since both the IASB and the APB experienced pressures and lobbying for that. In 1960 the APB had to deal with the large number of mergers and acquisitions which entailed the creation of conglomerates and multinationals. Thus, such companies had operations spread all over the countries and regions, with the associated earnings and profits. The concerns of APB was effectively recognise such earnings in the financial statements, while the companies wanted to keep secret which regions were the most profitable, in order not to give the information to their competitors. So the Board's only option, stating the huge political opposition, was to issue a non-binding statement.
The same happen to the IASB in 2006 when they issued the IFRS 8 on operating segment disclosure. The opposition campaign was very strong but the technical and political European accounting committees’ opinion was positive and so the Commission endorsed the standards, notwithstanding the lobbying pressures (Nobes & Parker, 2010).

2.8. Concluding remarks

In conclusion, after this theoretical overview corroborated by examples, some final comments are needed. It is highlighted in this chapter how the political lobbying has permeated the accounting regulations for many years, so the question that could arise is: is lobbying necessary? Or, better, is the accounting intrinsically a political act and, thus, it needs the political influences?

To answer such questions, it’s useful to underline that each established standard potentially carries economic benefits and losses for people and companies. Thus, they have an incentive to lobby to influence the outcome of the regulatory process, since they are concerned about the effects on their wealth of the principles and rules that may come from the said process (Brown & Tarca, 2001).

Unfortunately, proving that one entity’s, one individual’s or one sector’s interest are better for society than the other ones is not possible and, as well, it is impossible for a standards setter to satisfy everyone. Thus, the regulators’ aim has to be convincing those who are not directly satisfied by a standard that they would be better off if they accept it rather than if they do not (Solomons, 1983).

However, the politics are not only applied for balancing different companies’ interests. In fact when the environment and the pollution are concerned, the politics assume an important role in assessing how much air or water pollution a group or an entity is allowed to generate.
The industries want to be left alone and to be free of maximising their profit without any constrain and the employees are afraid about losing their jobs due to the environmental provisions.

Then the consumer are concerned too, because of the possible increasing in prices, coming from the increased costs for the companies. But the whole society wants clean water and clean air.

Hence, there are several interests at stake and in conflict, sometimes the same person carries conflicting interests (Solomons, 1983).

Moreover, for those reasons the standards setting can also be seen as a social decision. In fact standards carry economic consequences and they also restrict behaviour of entities. Hence, the decision of issuing a particular standard has to be accepted by the interested parties and getting such acceptance requires politics (Horngren, 1973).

Another important characteristic of the standard setters that is crucial is the neutrality. In fact, if the companies and the individuals do not have the suspicion that the outcome of the accounting standards process is predetermined and hetero-directed, they will be more likely to accept a standard even when the consequences arising from it are not optimal (Solomons, 1983).

Then the political nature of accounting is explained as well by Gerboth. In fact concepts like income, profit and wealth are not merely descriptive, objective and unique technical items, actually they are normative and subjective, with manifold options and interpretation; they necessitate, thus, political value judgements (Gerboth, 1973).

Therefore, the main concern now is the acceptability of the process rather than its verity, so it becomes more important to have an agreement on the accounting standards. Again, the politics are necessary to reach that agreement.
As aforementioned in the first chapter, the standard boards members (except the AASB’s ones) are full-time. This was decide to guarantee the independence of their decisions, since if they were part time, they could favour the employee or the company in which they are working. However, being full-time, in addition to have great benefit, has an important drawback. In fact they regulator’s board’s members have a lack of datas and knowledge about the needs of the market, although they have a great knowledge of the accounting matter. Therefore, they need to relate to the companies and the other entities to get information about what are the issues and how to solve them. Moreover, it seems likely that the economic and political forces are the underlying drivers of the standard setter agenda setting and, therefore, they contribute to the standards evolution over time. For example, two of the most controversial and debated issue of the 1970s, oil and gas accounting and inflation accounting, had been regulated because they were connected with the two biggest economic concerns of that time that were the Arab oil embargo with the following rocketing of the inflation (Gipper, 2013). Another link between the economy and the standards is provided by Bertomeu and Magee, cited by Gipper. They argued that when the economy declines, political pressures lobby to lower the financial transparency requirements, in order to have more freedom. However, this lead to bad choices and bad business and to a recession. Such recession triggers new pressures to increase the transparency, leading to an adjustment of the economic conditions. Then as the economy improved these forces weaken; but when the good economy ends, the pressure to weaken the transparency will arise and the cycle will start again.

Hence and in conclusion, the accounting regulation and standards setting is, inevitably, a political process and in the future standard setter will continue to endure political pressure and to respond to that. They will persist in balancing
the needs of the parties involved and the benefit of the society in general. (Brown & Tarca, 2001).
Moreover, in the future accountants and experts of the standards regulator would need even stronger political competences to deal with the said conflicts between the interest groups and to reach a compromise (Gerboth, 1973).
3. Defence Mechanisms of the Regulators against the Political Influence

3.1. Introduction

The following chapter’s aim is to look at the lobbying from the regulators’ perspective. While in the second chapter of this thesis the political influence game has been explained from the lobbyists’ point of view, undertaking an analysis of who such influencers are and the reasons behind their activity, in the third chapter the focus is on the standard setters’ characteristics. In fact, the characteristics of the regulators’ structures and the regulators’ environment are extremely important because they could explain how much a regulator is influenceable.

The easiest example regards the funding policies; if a body raises its funds through an obscure and fallacious process of donations, it is more likely to be lobbied.

Therefore, the structure of this third chapter will examine each aspect, first of all with a brief explanation and then with the analysis of the relationship between the characteristic and the political lobbying.

The aspects that concern both the regulator structure and the regulator world in general will be:
I. Rules based or principles based
II. Frameworks
III. Governance of the regulators
IV. Monopoly or competition
V. Regulatory model
VI. Funding policies
3.2. Principles-based and rules-based

3.2.1. Introduction

The first aspect will regard the conceptual basis of the established standards. In fact, the regulators can issue their standards following a principles-based approach or a rules-based one. Usually principles-based standards contain objective-oriented guidelines but they have a lack of detailed rules about implementation, whereas rules-based focus on having great implementation guidance for every possible scenario.

Obviously, the two options have several differences between each other and both of them have their strengths and weaknesses.

It is noteworthy to specify that a regulator can have a principles-based approach and sometimes establish standards detailed and descriptive like a rule and vice versa a rules-based regulator can issue objective oriented standards that need to be interpreted.

<table>
<thead>
<tr>
<th>TABLE I</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rules-based vs. principles-based approaches: characteristics*</td>
</tr>
<tr>
<td>Rules-based</td>
</tr>
<tr>
<td>Complies with a specific set of procedural requirements (e.g., checklist of ‘dos and don’ts’)</td>
</tr>
<tr>
<td>Comply or else</td>
</tr>
<tr>
<td>More commonly found in organizations favoring bureaucracies</td>
</tr>
<tr>
<td>Follows the letter of the law</td>
</tr>
<tr>
<td>Represents the minimum of ethical standards</td>
</tr>
<tr>
<td>Emphasizes an analytical approach</td>
</tr>
<tr>
<td>Emphasizes details and enforceability</td>
</tr>
<tr>
<td>Tends towards the quantitative, objective end of the spectrum</td>
</tr>
<tr>
<td>Necessary condition for effective governance</td>
</tr>
<tr>
<td>Requires constant monitoring</td>
</tr>
<tr>
<td>Focuses on detection</td>
</tr>
<tr>
<td>Tends to be fear-driven</td>
</tr>
<tr>
<td>More explicit, detailed, prescriptive</td>
</tr>
<tr>
<td>Tends to consider issues in black and white</td>
</tr>
<tr>
<td>Promotes blind obedience</td>
</tr>
<tr>
<td>Mandatory</td>
</tr>
<tr>
<td>Easier to implement</td>
</tr>
<tr>
<td>Addresses proximate causes</td>
</tr>
</tbody>
</table>

3.2.2. Rules-Based

A rules-based approach is inherently and promptly effective, in a sense that it states a set of requirements and guidelines to follow, aiming to have a hard-to-reach universalistic spectrum.

It is descriptive and heavily detailed and pursue the “comply or else” theory, that is a strict and severe procedure of punishment in the case that someone does not follow precisely the lead provided by the regulators.

Usually this need is required because the regulated matter is thought to be so important that a collapse caused by loopholes and failures could have a huge impact on a lot of entities and individuals.

Among the values of the rules-based approach there are its immediateness and the fact that it is easy to put in place and to structure, since the evaluation activity comes down to see whether an individual has followed the letter of law or not (Arjoon, 2006).

Moreover a rules-based approach tends to standardise the statements, reducing the application variability and, accordingly, increasing the comparability and the consistency (Collins, 2012).

A huge drawback of this approach is that it tends to regulate and evaluate things in black and white. Thus, sometimes acting by the rule could entail not acting in the best way possible, since this approach also discourages any behaviour that does not comply with the regulation. Moreover, due to the aforementioned narrow view that simplify things in a black or white matter, it needs a huge work of creating rules and standards, in order to regulate every possible situation. In fact, the individual does not have any tool that can help to decide how to behave when there is a lack of regulation. On the contrary, as already mentioned, the individual is obliged to comply and can not do otherwise. It can also happen that rules override each other or they are in conflict with each other (Arjoon, 2006).

Another huge shortcoming, that directly comes from the urge to regulate everything, is that sometimes, a rules-based approach creates a roadmap to
avoidance. Standard incongruity, overlaps and inaccuracy can stimulate and incentivise people to elude and bypass the regulation; in some cases this can create a “cycle of ever-increasing complexity” (SEC, 2003, at note 13 in Benson, 2006 p. 169) in which in one hand the regulators act deeper to remove every possibility to avoid the rules and in the other, the users strive to find a new loophole (Bentson, 2006). This is linked to what Arjoon calls gaming factor, that is people racing with each other to be the first one breaking the rules.

Then a detailed guidance can make the companies to thoughtlessly follow the rules and do not care about the intent and the ratio of them (Collins, 2012).

3.2.3. Principles-based

The approach called principles-based, instead, is driven by a different way of thinking the law or the regulation and it is also called objective-oriented (Bentson, 2006). First of all, it prescribes values and principles rather than axioms and criterions. It strives to make people reach and accomplish a goal, to use and apply judgement, not caring if it is not pursued through the perfect interpretation of the standard. (Collins, 2012 & Arjoon, 2006)

In other words, this method provides general principles that are meant to apply to several and different circumstances (Arjoon, 2006). This means that, in an evolving and dynamic environment in which the economy changes and new transactions and financial instruments are created accordingly, principles-based approach can fit better compared to the rules-based one (Bentson, 2006).

The compliance mechanism is called “comply or explain”, if someone can not or do not want to follow the prescribed rule, they will have to motivate the decision. The hypothetical punishment is imposed only whether the explanation does not satisfy the regulator.
Therefore this approach extend the legal domain to issues not explicitly described in the regulation, the so-called grey area, openly excluded by the rules-based method.

However, it has some great weakness. First of all it could be too broad and theoretical, so that the regulation may be less effective and the individuals may have issues in understanding the core value that inspires the specific standard. This operation of figuring out the correct action basing on a general and value-driven principle is called by Frantz “reverse engineering” (Frantz, 2014, p.2).

Furthermore, the laborious work of assessment and evaluation in the “comply or explain” scenario requires huge amount of time and money (Arjoon, 2006). In addition, the users usually require standards and guideline for every possible situation and event. In case of litigations they need rules to which they can totally adhere to avoid lawsuit; in other words they need a guidance that protect them from accusations and criticism.

Another shortcoming of this model is its natural inconsistency with some accounting approaches like the fair value measurement. In fact, the fair value requires a lot of rules to effectively guide the preparers and they cannot be assured by auditors in absence of such set of rules (Bentson, 2006).

Another point stressed by Bentson is the reduced comparability of information prepared through principles-based standards. Indeed, if every user has the freedom to interpret the principles a borderline case can arise when two similar companies provide a different information due a diverse interpretation.

3.3.5. Conclusions

After having highlighted the theory behind the two approaches, it is useful to see if the IASB, the FASB and the AASB are part of such groups.

It can be argued that most of the existing accounting standards have precise guidelines and criterions to follow for each specific situation. The intensity of
those rules varies from the less specific standards labelled principles-based and the most specific ones called rules-based. Within this spectrum the US GAAPs tend to have a position closer to the rules-based while the IFRS closer to the principles-based. There are some authors, cited by Collins, that assert that both US GAAP and IFRS are rules-based, although US GAAP containing more rules and having an “incremental perspective, that is adding more rules to the existing ones in way that increases accuracy but also complexity (Collins, 2012). Also Dean and Clarke claim that IFRS standards are the most true representation of a principles-based approach and the US GAAP are perceived like the example and the archetype of a rules-based one. In conclusion, although there is no such thing as a full principles-based or rules-based regulator, it is argued that the accounting standards setting world can be described as a hypothetical linear continuum that has the two approach as its ends. The IASB and its IFRS are closer to the principles-based end, whereas the FASB and the US GAAP are the closest to the rules bases end. It is also claimed that the AASB is categorised as being close to the rules-based end, but not so close like the FASB (Dean & Clarke, 2004)

It is helpful, now, to understand the relationship between each approach and the lobbying. The aim is highlighting whether the principles-based or the rules-based is the one that protects the most against the political influences. Starting from what it has already been mentioned in this thesis, the lobbyists want to influence the regulator in order to obtain a better standard or to ban a detrimental one. The rules-based approach seems to be preferred by the lobbyist since it provides certain rule to follow and the outcome of the pressure is more certain. In fact, when a group of companies tries to persuade the regulator to issue a new beneficial standard, it wants to be certain of the result, since it invested an important amount of money on the lobbying. Thus, the standards should be
applicable right away, without any additional time to understand the underlying rationale of the standard, to interpret it and to adopt it. Another reason for the lobbyists to prefer the rules-based standards is that the principles-based ones have the comply or explain process, which needs time for the regulator to evaluate if the standard is properly adopted. For cost-effectiveness reasons, the influencers want to obtain the best outcome at the lowest price, but to the lobbying activity this can not be enough. They need, therefore, to reach a satisfactory result in a short and certain time, since the timing of lobbying is a crucial factor for the success of the political influence process.

This analysis is consistent with the argument of Sutton, who recognised how, sometimes, the standards setters have established standards that tend to be rules-based. This shifting is caused by the political pressures and the lobbyists, who prefer the rules over the principles (Sutton, 1984).

3.3 Framework

3.3.1. Introduction

A framework is a conceptual basis that have the purpose to describe and illustrate the underlying concepts of the preparation and presentation of financial statements. It furthermore explains the estimates and the judgement on which the financial statement is based (Bakker, 2017). Gerber states that conceptual framework “can be viewed as the culmination of accounting principles and practices into one document”, the development of the framework “is the result of external influences on and changing conditions of the world economy” (Gerber, 2016 p.17).

Moreover, Gerber cites Salvary when he claims “The accounting conceptual framework is characterised by a stimulus/response network in which a stimulus evokes a response” (Gerber, 2016 p.17).
The accounting needs to change to adapt to the world but persistent in the way that doesn’t change without a cause, so the framework needs to provide a basis to allow the change and the persistency (Gerber, 2016). It’s likely to have two types of relationship between framework and accounting standard. In a situation in which there is a lack or absence of regulation, management still needs to prepare the financial statement. In this case they can develop an accounting policy that is consistent with what it is established in the framework.

Another kind of relationship, less likely to happen, is when there is conflict between the framework and the standards requirements. All the standards setters are working to reduce the number of cases in which there is this kind of a discordance, but in those situations the accounting standards prevail over the framework (Christian & Lüdenbach, 2013).

It’s useful to describe what are the purposes of IASB, FASB and AASB frameworks.

3.3.2. The FASB Framework

For the FASB, a framework was necessary to create a coherent system of interrelated objectives and fundamentals that could lead to consistent standards for prescribing nature, function, and limits of accounting and financial statements. (Booth, 2003).

The FASB Concepts Statements provide concepts that will guide the future financial practices and help in evaluating existing standards; moreover it is not supposed to solve financial accounting and reporting issues but to give directions, bases, tools for solving them.

The Board stated that the Concepts Statements will be more useful for the board rather than the preparers or the professionals.

FASB framework is not authoritative and the FASB recognise that some standards maybe in conflict with the framework. There is no explicit provision
whether use the standards or the framework in such cases, while the AASB and the IASB are very clear when they state that the standards have to be preferred (FASB Conceptual Framework, 2010). However, something can be deduced by the fact that, when there is an absence of regulation, the preparers must consider accounting principles for similar matters and then non authoritative guidance from other sources, including the framework. It can be seen that the framework have not a great importance, since even other sources (like other frameworks), can be used to solve a case in which there is no standard that regulates that specific event. This is an important difference to underline because while the management is explicitly required by IASB Framework to apply and consider the framework when there is no standard that regulates that specific matter, FASB does not have this provision (Bakker, 2017, Kirk, 2019 and Booth, 2003). Thus, in cases of conflict the preparers should follow the guidance given by the specific standards instead of following the framework’s ones.

3.3.3. The IASB Framework

The IASB’s Conceptual Framework’s objective is to assist the board in developing the IFRS that are based on and consistent with the framework. More specifically, alongside with the standards, it contributes to enhance the transparency and comparability, improve the accountability and contribute to the economic efficiency of investors decisions. Moreover it has to assist preparers, when there is an absence of regulation or where the standard allows a choice, and all parties interested in understanding and interpreting the standards. The Board specifies that if it’s needed the standards can divert from the framework and it also specifies the reason and the ratio underneath this departure. The IASB framework can be revised from the board and the modification of the framework doesn’t imply a modification of the standards, even when the
framework modification causes a conflict between framework and standards. (IASB Conceptual Framework, 2018)

It’s useful to note that the IASB has diminished the role of a conceptual framework during the years by acknowledging that some standards are inconsistent with the framework (Booth, 2003).

3.3.4. The AASB Framework

The AASB framework is used to be a guide in developing and reviewing the standards (Booth, 2003).

The framework explanation provided by AASB is very similar to the IASB one, but it specifies more thoroughly the users of the framework. The main purposes are to facilitate the AASB in the development of future standards and in its review, to assist AASB in harmonising the regulation and the standards through the provision of a conceptual basis and to assist preparers in applying standards and dealing with the financial statements. Moreover, the AASB Framework also aims to help auditors in assessing whether statements conform with the AAS and to assist users in interpreting the information contained in the financial statements. The final purpose is to provide informations about AAS to those who are interested.

AASB states that nothing in the Framework overrides any other standard and in the limited cases in which there is a conflict between the framework and standards, the latter ones prevail.

However, AASB commits to diminish the cases through time. This is huge difference from IASB, that acknowledge and permit divergence, but doesn’t put effort on solve the existing conflicts.

The Framework is revised from time to time like the IASB, even though there is no specification that a revision of the framework doesn’t modify the accounting standards (Framework AASB 2014).
3.3.5. Conclusions

From the said information it can be grasped that the framework can provide a great protection against the political influences because it establishes a conceptual basis with which the standards can not be in conflict. The lobbyists do not have the possibility to ask for a standards that is in conflict with the framework and, thus, too far from the regulator's mindset and believes. The framework in that case offers a protection because the believes of the regulators about the underlying drivers and concepts are written and enforced. However, if the framework loses its power and the regulator openly allows conflicting standards or, worse, the standard setter (like the FASB) requires the user to look at other similar standards or similar sources of regulation before looking at the framework when the topic is not regulated; it seems clear that the protection against lobbyists can not be so effective.

In this way, the incoherent standards could be the result of a lobbying activity, aimed at obtain a more profitable standard for a company, a sector or an association.

Another critical point for the framework is whether its drafting has been independent or not. Clearly, in that case it does not provide any defence against lobbying.

In conclusion, the degree of protection provided by the framework, if it has been written in an independent way in the first place, depends on the importance the regulators has given to it.

Hence, if the accounting standard issuing organisation deemed the framework to be more important than the standards, therefore having the standard to comply with it, the framework can dissuade the lobbyist from their attempts to influence the regulatory results.

When, instead, the regulator acknowledges new standards that for any reason are effective yet simultaneously incongruous with the framework, the protection disappears and the lobbyist may continue to exert their political activity.
3.4. Governance

A further element that may explain the regulators and lobbyists relationship is the governance of the regulators. With the term “governance” is meant the structure and the organisation that each regulator have adopted to pursue the activity of the accounting regulation. These structures have already been thoroughly explained in the first chapter, therefore it is possible to proceed directly with the analysis on the protection against the political influences.

The organisational schemes adopted by the three regulators studied in the first chapter are quite similar and similar are the benefits that arise from them. Having an advisory committee that helps in developing the agenda through suggestions and comments may help in adding plurality and variety to the Board pronouncements. Such plurality could reduce the probability of being lobbied, since the lobbyist have to influence more individuals. Furthermore, the influencing the advisory committee would be very costly since it does not issue directly the standards.

This is due to an accurate separation of roles and powers. The presence of a distinct overseeing committee entails that who watches in not involved in the standards issuance and vice versa. Also the separate interpretation committee has the same effect. Hence, with this method, the regulators make the lobbyists’ activity less effective because there is no a single board to influence, and moreover, since the different function and composition of the committees, may be needed different techniques to lobby them.

Then the IASB’s DPOC deserves a further comment. In fact, monitoring and reviewing not only the standards, but also the process through which those standards are issued might reduce the likelihood of being lobbied. If the process has loopholes or critical phases in which the lobbyists can intervene and influence, the DPOC can identify them and solve the issues.
In that case, the process itself can be designed to offer as much protection as possible against the political influences.

In conclusion, a structured governance may give a little help in opposing against the political forces but can not offer a full protection. Even if they separate the functions and they add committee to control and monitor, it seems likely that the lobbies could still influence the outcome of the regulation, acting on each committee and evaluating the best strategy.

3.5. Monopoly and Competition

This topic regards the accounting regulation from a different perspective. It will help to understand the tendency of a regulators to be influenced, but through a broader point of view, which concerns the overall regulatory system rather than the behaviour and the choices of the regulators.

The debate about monopoly in contrast with competition has never been discussed in a deep and thorough way, since the accounting profession and the governments deemed the monopoly to be a better, even a necessary, system to set the standards (Jamal & Sunder, 2014).

Jamal and Sunder argue that with the introduction of a competition between standard setters, the outcome of the regulatory activity could be higher quality standards.

They started their analysis with a comparison between the accounting regulation and the telephony regulation, since they believe that the two worlds have notable similarities.

First of all they both have network externalities and the risk of free riders and, thus, the regulation is necessary to not underproduce the standards; this is confirmed by the fact that in almost every country both the accounting and the telephony are regulated either by the government or by private standard setter organisations (Jamal & Sunder, 2014).
However, they have, beside a different market to regulate, a different approach. While the accounting standards, historically, follows a “fire alarm” regulation, in which the regulator stays quite until an event like a scandal triggers new regulation, the telephony adopts a “hands off” approach, under which the governments tend to let the private regulator compete (Jamal & Sunder, 2014).

The two scholar use these characteristics of the telephony regulation to conceptualise and apply the competitive private regulation market of the telephony to the accounting standards. Understanding if the competition could enhance the quality of the standards setting is far beyond the scope of the thesis, but an overview of the characteristics of both the option could help in understanding whether the monopoly is the best solution against lobbying and interferences.

The monopoly system has been chosen for several reason, such as the complexity of the accounting standards and the consequent concern that the users would get confused by multiple standards regulating the same subject (Jamal & Sunder, 2014).

Other arguments were about the coordination and the quality. The coordination issues regard the necessity of having a single set of consistent standards to reduce the costs of communication and transaction, improving the comparability, while the quality ones were about a possible race to the bottom caused by the competition.

Jamal and Sunder failed to find any evidence of race to the bottom caused by the competition, hence, even under the pressure of the competitive forces, the quality of the standards is preserved.

Thus, the main benefits of the monopoly for the accounting standards are the coordination and the reduction of the complexity.

However, monopoly has the great drawback of discouraging innovation. In fact, discovering new practices and ways is not only hindered by the nature of the monopoly, but also by the lack of comparable alternatives. This disincentive for the new developers means a lower quality for the standards.
Hence the competition does not lower the quality but it might create standards with a higher value (Jamal & Sunder, 2014).

After this excursus on the characteristics of the two models for the accounting regulation, it is helpful to evaluate them with respect to the lobbying activity. With the competition, the lobbyist may find the influencing task to be easier, since the number of regulatory organisations is higher and, thus, the possibility to effectively influence an individual or the whole standards setter is higher. Moreover such regulators are private organisations that needs resource to conduct the accounting regulation and this, as explained in the funding policies paragraph, entails that they are likely to be influenced by their sponsors. However, the large number of private bodies can also have a great advantage. In fact, if the companies succeeded in influencing the preferences of a regulator and obtaining new standards (or successfully asking to ban some), the whole system would not be in jeopardy, since there would be other uninfluenced regulators that continue to act independently.

Then the presence of private regulators implies the presence of the government or a public authority to control their processes and their activity, since they are issuing standards for the public interest. To ensure that such private organisation act in a proper way, the government need to control, also to make sure that they could not harm the market, the companies and the people’s money.

Nevertheless, Jamal and Sunder argued that the competition among private standard setters led the developers to provide themselves with an elaborate and meticulous due process with a high degree of involvement of the accounting and financial community. This shows that the market has, in a way, regulated itself and the private standard setting bodied which did not adopt a proper organisation have been pushed out of the market.

The main rationale for the involvement of the government lies in avoiding the market failures like cartels or underproduction of the standards and that is the
reason why in the research of the Jamal and Sunder, although the regulators are private, the government is still heavily involved.

So if the state and the government are involved, the lobbying tool of influencing the politicians, the public opinion and the authorities is still feasible for the lobbyists, who could also influence both the government and some of the private regulators.

In conclusion, shifting from monopoly to a competitive market can not eliminate all the lobbying forces since the lobbyist can still attempt to influence the outcome of the standard setting. Albeit the competition may allow the system to not be affected by a few influenced regulators, the private nature of them, which entails funds requirements that expose them to lobbyists, and the involvement of the government, which can be in turn influenced, show that even in the competition the lobbyist have tools to pursue their interests.

3.6 Regulatory model

Another characteristic that is likely to explain the inclination of a regulator to be influenced is the regulatory model, that is the underlying philosophy that drives the regulation activity, not only the accounting regulation. Like the monopoly vs competition, this regards the system rather than the specific accounting regulator.

The first example of regulatory model is called the “public interest” model. With this model, the regulator conduct a public utility mission. Since the regulation is a public good, thus with externalities and free rider, an unregulated market tends to underproduce it; so the regulator intervene to maximise the whole society welfare (Gipper, 2013).

Then, there is the “regulatory capture” model, under which the regulated companies capture the regulator. This means that the regulator now can not
seek the social benefit but it is obliged to take decision that are in the capturers best interest (Gipper, 2013).

The regulatory model can also follow an “ideology” and this happens when the regulators have a particular belief that underlies their decisions. This ideology is not necessarily related by the governing political party and sometimes comprehends a personal view of the world (Gipper, 2013).

It is useful to underline that Gipper suggests a further model called the “market driven” process. Under this theory, the accounting standards are malleable in the sense that market driven forces would balance the different objectives and needs of the companies and, thus, obtain efficient standards. This theory considers such forces to play two distinct roles:

I. Balancing role. These forces are, actually, the reflection of the fast and sudden changes in the economic, legal and financial environment, thus they help the standard setters to take such changes into account (Gipper, 2013).

II. Political forces, actually, can also be driven by their self-interest which pushes the set of rules away from the regulators’ intended goals. Thus, they can lobby to get standards beneficial only for them, ergo sub optimal standards (Gipper, 2013).

No one of the mentioned model can fully and thoroughly explain the accounting standards regulatory model, but some insight can be taken from each of them.

In fact, the public interest model theory explains how the accounting regulators intervene to solve the market failure and to pursue and maximise the social welfare whereas the regulatory capture model one shows the lobbying of the companies over the regulator. Moreover, the ideology, as well, regards the politic aspect of the accounting regulation since the beliefs and the mindset can be a result of a lobbying activity, which aims to move and shift the regulators’ sentiment in order to obtain a better standards for themselves.
Also the “market driven” model theory can not satisfactory describe the accounting regulation, but it adds to the analysis the “necessity” and the “inevitability” of the political forces that was introduced at the end of the second chapter.

In conclusion, it seems clear that if a regulator choose to follow the “market driven”, the “capture” and the “ideology” models, assuming that a standard setter could choose a single and specific model among the above mentioned ones, it will be more exposed to a lobbying activity.

However, such political forces can be very important to the regulator since they bring to its attention the economical needs of the companies and the changes in the market.

Thus, the likeliness of being influenced by the political forces is strong in the accounting regulation environment, since, as said, it can be described by the mentioned model combined together.

3.7. Funding Policies

3.7.1. Introduction

This topic has already been discussed in the first chapter, so it will be analysed from a different perspective. The aim of this paragraph is to understand the relationship between a particular funding policy choice and the likelihood of being influenced.

In fact, the way and the process of getting resources have a great impact on the regulators’ defences against the lobbyists and the independence of them starts from such choices.

Funding policies mean how the regulators collects money and funds to issue standards, to pay their employees and more generally to sustain their activity.

There are several options to gather the necessary funds:
3.7.2. State or government subsidies

With this funding choice the regulator’s activity is financed by the state or the government, hence through public money. The public authority could decide to take such money from the general purpose budget or to structure a specific and dedicated budget that will be financed via special taxes raised for that explicit purpose.

The most fit example of that is provided by the AASB and its funding policies. At first, the AASB was funded solely by the government budget and by the states and territories of Australia. That's because the AASB is a government agency and it directly reports to the Minister for Superannuation and Corporate Law.

However, during the years the AASB has diversified its sources of funds and now, beside the parliamentary appropriations under the Treasury budget, it has added other means of collection resources, like tax levied on listed companies and funds from sales and publications, which will be explained and analysed afterwards (Stoddart, 2000 & www.aasb.gov.au).

This method is a strong defence against direct influencing forces exerted by private companies, since they can not use grants, donations and money to leverage on the regulator. However, as already mentioned, the companies have several ways to lobby the accounting standard setters and in this case the most effective would be through the politicians.

Thus, the lobbyist could influence the political parties and the politicians; then they, in turn, will lobby the government, which, since it has the power to decide the amount of the subsidy, can persuade the regulator to behave according to the specific requests.

In conclusion, this funding options can not provide a full defence against the lobbying forces. The companies would merely redirect their efforts to influence the politicians and, thus, the regulators would still bear the risk of being lobbied.
3.7.3. Donations and sponsorships

Another choice is the sustainability through public donations and sponsor partners. It is not usually enough to fund the whole activity of a standard setter, although, at its early stage, the FASB used only such provisions to sustain the whole standard setting process. The donations and the sponsorships are grants that companies and associations give to the standard setter and, because of its public interest activity, such endowments could be deducted from the donors taxes (Elliot, 2017).

While the FASB has abandoned this method, the IASB still relies for a part of its budget on donations and, to increase the transparency, the duty of the IFRS Foundation’s Trustees is to disclose such donors and the relative amounts (Jamal, 2014, Elliot, 2017 & www.ifrs.org).

The concerns about this system is that the companies and the associations which donate to the regulator, could influence too much the decisions about the standards and, thus, the outcome of the regulatory activity would be not optimal and beneficial only for the major donors (Elliot, 2017). However, the IFRS Foundation example shows that donations and partnerships method can be effectively employed if it is combined by a disclosure activity which aims to improve the transparency and the accountability. This transparency effort, though, can only disclose the donors so that everyone can identify the major contributors, but it does not prevent the lobbying since the companies are still free to promise more money, or to threaten to withdraw the donations, in order to exert their lobbying power.

Hence, the donations and sponsorships could provide resources to the regulators and they can spare the government to spend public money to sustain the regulatory activity. But this method has the huge drawback of being the easiest way for the lobbyists to influence the accounting standards.
3.7.4. Sale of services

An interesting way of raising funds is through sale of the regulators’ services. The standard setters can collect revenues from manifold options like: 1) selling books with the standards or the standards modifications, 2) charging the audience when a member of their board is called for a speech or a debate, 3) charging a fee for the download of material about the standards and their interpretation from their website, 4) organising conferences and events, 5) licensing rights for the use of their material. Each of these options allows the regulator to sustain itself through “self generated income”, that is a stream of revenues that is produce directly by the regulator (www.ifrs.org).

Because of that, since there is not any money that comes from the regulatees, the companies and the associations can not use the money to influence the regulators; hence, this method provides a great protection against lobbying forces.

However, the funds coming from these activities may be not enough to sustain the regulator’s needs, a little evidence of that is given by the funds sources distribution of the IASB, and, moreover, the lack of funds could undermine the activity of the regulators and its quality.

3.7.5. Tax levied on listed companies

This funding system is based on a fee levied on listed companies, which depends on the capitalisation of such companies. If a company has a great market capitalisation, it will have to pay more to the regulator.

The rationale is that such companies are the main users of the accounting standards and therefore, they should participate to the regulator’s budget accordingly.
The SOX Act of 2002 made this fee mandatory for the listed companies, the traders and the brokers in order to provide adequate funds for the FASB and its activity (SOX Act, 2002).

The IASB has, instead, a different policy. The Board ask the country to provide adequate funds for their activity, but it doesn’t specify how. Thus it is each country, region, jurisdiction duty to decide how to collect those money, through a fee paid by listed companies or through other means.

Then the AASB, as well, has this funding policies, in fact the government has decided to issue a fee for all the listed companies in the ASX, which will be needed to the fund the regulator (Stoddart, 2000).

For the FASB and the IASB, this method is the one that contributes the most to the whole budget, while the main source of fund for the AASB is still the government subsidies (www.aasb.gov.au, www.iasb.org, www.fasb.org).

This method allows the regulators to be more protected against the companies since the payment is required by the law and, thus, such companies can not modify their grants in order to influence the regulator. In this way, the companies do not have the same leverage as with the donations and sponsorships option because, even though the money streams come from them, they are obliged to provide such funds by the government or the stock exchange authority. Those institutions also decide the amount of the fee levied on the companies.

Nevertheless, the issue about this funding policy is that the authority could review the fee system, for example because it deems the regulator’s budget requirements to be larger or smaller. The evaluation of the government could be influenced with the same process of the government subsidies, allowing the companies or the associations to lobby through the politician and the political parties.
3.8. Concluding remarks

This chapter shows there is not a perfect protection from the external influences, even combining all of the mechanisms and tools arising from the characteristics mentioned above. When the regulator structures itself to protect its process from the influencing forces, the lobbyists still can intervene and modify the outcome of such process.

It was clear with the funding policies, if the government funds, the companies can not use the donations to leverage on the regulators but they can lobby the politician (with PACs or, again, donations to the party) to obtain the desired results.

Moreover, also the most used approach of the tax for the listed companies has some issues and shortcomings. Another example has been provided in the monopoly vs competition paragraph. So that if the competition stimulates the creativity and enhances the quality, it also exposes the private setters to the influence of the lobbyists, who will exert power through the sponsorships. However, switching to the monopoly does not solve the problem since the government needs to be involved and the political parties might be lobbied.

Then, it is useful to reaffirm what has been argued in the second chapter. The influences of the companies and the association is crucial for the regulators, in order to collect information and to grasp the market needs. Without such forces, the standards may lose quality and the public interests may not be pursued.

Thus, while the protection against the lobbying forces has to be an issue on which the accounting standards setting organisations need to stay focus, the “inevitability” of the lobby and the power of the external entities may lead to change the approach to such forces.
The question that may arise from the previous reasoning is whether the regulators should not try to eliminate any occasion for the lobbyist to influence, but rather they should control and channel such lobbying forces, pursuing the best outcome of the regulatory process, disclosing and increasing the accountability of the regulators.

In that case, the relationship between the regulators and the lobbyists and their mindset would be totally different, the lobbying force may be used by the regulators to increase the quality of its job and the regulatory activity may proceed without the necessity of blocking every attempt of lobbying but rather with the aim of handling and channeling them.
Conclusion

This master thesis, with its three chapter, has strived to explain the complex and various topic of the political influence.

After the analysis of the three biggest and most important accounting standard setter, it has been provided a chapter to explain who are the lobbyists and how they behave to induce the regulators to change their belief and undertake action not for the public interest, but for the lobbyists' instead.

Then the third chapter highlights the political influences from the point of view of the accounting standards setter organisations, with a focus on the relationship between a specific structural choice, like the funding procedures or the regulatory model, and the protection that such characteristics would give to the regulators.

This chapter showed that the regulators can not fully protect themselves from the political influences, even combining in the best way the characteristics analysed.

The resulting remarks of this thesis are that the political influences and the lobbyist are inevitable for the regulators.

In fact, in the future the political forces and the conflict among the companies will require the accountants and the regulators to have stronger political competences in order to deal with such issues (Gerboth, 1973).

These political skills will be also needed because the accounting standards setting is, and will be, a political process and, thus, the regulators will continue to endure such influences (Brown & Tarca, 2001). This inevitability confirms, therefore, that what will distinguish a good regulator from a bad one, is its ability to handle those lobbying impulses, pursuing at the same time the public interest.

Hence, at the end of this thesis a suggestion would arise. To solve this paradigm, the relationship may be interpreted in a different way with regard to what it is mentioned in this thesis.
The regulator, instead of fighting the political forces, could try to channel them and to live with such forces. In this way, they would be able to deal with the lobbyists in a completely different manner, using the political forces at their advantage to enhance the quality of the standards.
List of Abbreviations

AAA = American Accounting Association

AAANZ = Accounting Association of Australia and New Zealand

AARF = Australian Accounting Research Foundation

AAS = Australian Accounting Standards

AASB = Australian Accounting Standards Board

AICPA = American Institute of Certified Public Accountants

APB = American Principles Board

ASAF = Accounting Standards Advisory Forum

ASC = Accounting Standards Committee

ASCPA = Australian Society of Certified Practising Accountants

ASIC = Australian Securities and Investment Commission

ASRB = Accounting Standards Review Board

ASX = Australian Stock Exchange

CPA = Certified Public Accountant

DPOC = Due Process Oversight Committee

FAF = Financial Accounting Foundation

FAF = Financial Analysts Federation

FASAC = Financial Accounting Standards Advisory Council
FASB = Financial Accounting Standards Board
FEI = Financial Executives Institute
FRC = Financial Reporting Council
GAAP = Generally Accepted Accounting Principles
GASB = Governmental Accounting Standards Board
IASB = International Accounting Standards Committee
IASC = International Accounting Standards Committee
ICAA = Institute of Chartered Accountants in Australia
IFAC = International Federation of Accountants
IFRIC = International Financial Reporting Interpretations Committee
IFRS = International Financial Reporting Standards
IOSCO = International Organisation of Securities Commission
MAPI = Machinery and Allied Products Institute
NAA = National Association of Accountants
PAC = Political Action Committees
PSASB = Public Sector Accounting Standards Board
SEC = Securities and Exchange Commission
SIC = Standard Interpretations Committee
SOX = Sarbanes–Oxley Act
WAC = World Accounting Congress
Reference List


Baranek, Devon, *The Impact Of Sarbanes-Oxley On The Fasb And Accounting Regulation*, Academy of Accounting and Financial Studies Journal, Volume 22, Issue 1, 2018


Dean, Graeme & Clarke, Frank, Editorial on Principles vs Rules: True and Fair View and IFRSs, Abacus, 2004


IAS 39 — Financial Instruments: Recognition and Measurement


XCIII


Sarbanes & Oaxley Act, 2002


www.aasb.gov.au
